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RECOVERY AND THE CAPITAL MARKET

LLOYD W. SIPHERD

Introduction

ALTHOUGH Canada has suffered severely from the effects of the current depression, it is generally held that this country has suffered less deflation and has made greater progress towards recovery than almost any other country. The degree to which the long term capital market has supported industry and trade during the depression has not, however, been fully appreciated. Statistics tend to indicate that the revival of the capital market to provide new money for industry and trade has been discouraging, indicating that, insofar as new capital is an important requisite to sound recovery of business, an important obstacle must be overcome before conditions can be said to be appropriate for genuine restoration of normal business. It is proposed that in this paper an analysis of statistics covering the activity of the capital market since 1929 be con-

ducted in an attempt to indicate those factors which appear to have a bearing on the possible recovery of the normal flow of long term capital into private industry in the near future.

Statistical Analysis

As the interest of this study is primarily in the flow of new capital into the purchase of investment securities, statistics covering financial operations for refunding and conversion purposes will be excluded. The Financial Post Business Year Book is probably the best source for complete statistics on new capital issues and it will be relied upon in this study. In the study of the statistics available, attention will be placed primarily on the year to year change in total volume of capital issues, the changing importance of different classes of issues and the shifts which have occurred in the volume of foreign capital which has flowed into the country for this purpose.

The 1935 edition of the Year Book shows that the total volume of new capital issues declined from \$681,300,000 in 1930 to \$217,000,000 in 1934, a reduction of approximately 68%. The interesting aspect of this decline, however, is that of the total capital issues in 1930, over 60% represented capital flowing into private industry; the balance represented the public issues of the several governments. By 1933, private issues had declined to a little over \$10,000,000, or less than 5% of the total for that year. In 1934, the ratio had increased to 25%. In other words, the capital market has been almost monopolized by public financing programs during the latter phase of the depression.

For many years, Canada has relied to a considerable extent upon the influx of foreign capital to finance expansion. In the earlier years Great Britain was chiefly responsible for what outside aid Canada secured. In more recent times, a great deal of American capital has found its way into Canadian enterprise. For example, of the total amount of long term capital raised in 1930, United States supplied 38%, Great Britain 3.2% and

Canada 58.8%. As might be expected, however, Canada has been forced to rely more upon herself for new capital during the later years of the economic and financial disturbance. In 1934, Canada supplied 80% of all new capital raised to absorb new issues offered while Great Britain furnished the balance. United States provided no new capital in either 1933 or 1934. It is to be noted, however, that these figures refer only to new capital flotations actually placed in the various markets, no consideration being given to the constant shifting of funds arising from foreign purchases and sale of Canadian issues already in existence.

The interesting feature of this study is the declining importance of American capital and the increasing reliance placed on Great Britain. It should be noted, however, that these percentages are somewhat deceiving for, although Canada has been called upon to supply a much larger proportion of total new capital, the amount involved in 1934, even though 80% of the total, was less than half the sum raised in Canada in 1930, when less than 60% of the new capital was raised in Canada.

Interpretation

One need not search long for an explanation of the severity of the decline in financing among industrial corporations. As in United States, Canadian industry carried out extensive financing prior to 1930, making possible an expansion of enterprise quite sufficient for many years. Furthermore, the decline in business activity and general retrenchment contributed much towards the drying up of demand for new capital. Finally, loss of confidence in all but the strongest of government issues made financing on the part of those caught by the depression with inadequate funds practically impossible.

As the raising of capital since 1931 has been largely to meet the demands of public authorities, it is of interest to consider how these demands originated and were met. Statistics show that the total public debt (including guarantees), increased from 1929 to 1934 by over \$1,000,000,000. The Dominion government accounted for a large part of this increase. Analysis of the financial operations of the Federal government shows that although ordinary expenditures have been held in

check, a substantial increase in net debt each year has been unavoidable because of relief expenditures, special advances to provinces, and especially large operating deficits of the government operated Canadian National Railways.

Analysis of banking statistics gives an indication as to the major support of the capital market during the depression. At the close of 1929, total holdings of securities by all banks amounted to less than \$450,000,000, of which 66% was made up of Dominion and Provincial government issues. Only about 13% of this total could be classed as private capital, and this was mainly confined to the railroad industry. By the end of 1934, total investments had increased by over 100%. Holdings of public securities increased during the period by \$545,880,000, showing that the banking system absorbed over half of the billion dollar increase in public debt. If statistics were available for investments in public issues by other institutional investors, and this combined with external flotations, one would probably very nearly account for the bulk of the capital which financed this enormous increase in public debt since 1929.

The next question which arises concerns the presence of artificial influences brought about by government legislation or pressure. Until the establishment of the Bank of Canada early this year, the Federal government has possessed little real power over banking policy, although a high degree of co-operation has existed between bank and government officials. The system of discounting provided by the Finance Act was never utilized as a mechanism for controlling the credit policy of the banks. As the depression deepened, however, the Federal government began casting about for methods to stimulate business by monetary means. In 1932, the government induced the banks to try a plan for increasing currency. The plan, involving the borrowing of \$35,000,000 by the government from the banks, proved of little effect.

In 1934, a new tack was taken by Premier Bennett inducing Parliament to enact temporary amendments to the Finance Act to permit the expansion of Dominion currency through the widening of the gold base. At the same time, every attempt was made to coerce banks and financial institutions to reduce interest rates. Whether these

particular steps proved fruitful of results is uncertain, but a study of long term interest rates shows that since 1931 there has been a declining tendency. In other words, long term bond prices have shown encouraging advances since early in the depression, giving evidence that the financing program of the depression had been met with ample demand for such capital issues, thereby giving Canada an enviable record of depression financing.

Recovery Outlook

Though Canada should be proud of the manner in which the country so effectively met the demands of the government for additional funds, it must be recognized that this has contributed little toward recovery in private industry. It is not until capital begins to flow into private enterprise that industry is given an opportunity to get back on its feet. So important is this that economists point out that the most important indication of business recovery in a country is a quickening interest in new capital issues of business corporations. What indications do we have as to the possibilities for the restoration of capital flow

into private industry in the near future?

Reference has been made to the decided rise in gilt edge long term bond issues during the past two years. That this development has had its influence on corporate bond prices is indicated by the fact that a substantial recovery of the latter has occurred. The loss of opportunity of earning power in government issues has created an interest in well established corporate issues. Further evidence of an improved outlook is the offer to the public in March, 1935, of two fairly large corporate bond issues. A \$4,000,000 10-year Debenture issue, the purpose of which was to retire bank indebtedness and to satisfy general corporate needs, was offered to the public to yield only 4.25%. The other issue was an \$850,000 5½% First Mortgage 20-year bond issue, offered to yield 5.9%. Since that time, there have been several other successful corporate flotations. Although primarily for refunding purposes, these issues indicate a reviving interest of not a little significance.

In regard to corporate stock issues, no such positive evidence of recovery is evident. To be sure, there has been extensive

financing of mining enterprises through stock issues, both in Canada and abroad, but this does not give a true reflection of conditions in the industrial field. Statistics covering common stock prices since 1929 indicate that the lowest levels were reached in 1932 and that a substantial recovery has developed since that time. Corporation dividend disbursements reached their lowest level in 1933, a decline from 1930 (the peak year) of over 50%. An increase of 38% in 1934 reflected better earning power among corporations in general since 1933. This increase, however, is partly influenced by excessive mining company dividends in 1934.

An important factor in the recovery of investment interest in new corporate securities is the relative speed with which financially involved companies place their houses in order. Canadian corporations have suffered severe deflation during the depression, a situation well indicated by the number of defaults in obligations. Statistics compiled by the Financial Post show that for the five years 1930-1934 total corporate defaults amounted to \$510,754,830. On the basis of the amount of total Canadian corporate indebtedness compiled

by the Dominion Bureau of Statistics in 1933, the above defaults represent 24.35% of all outstanding obligations. Adjustments for sinking fund defaults are not included. Records show that nearly one-half of the half billion dollars in default occurred in 1932. In number of defaults, real estate corporations come first; but in importance, the pulp and paper industry probably heads the list. The latter industry has suffered very heavily during the depression from over-expansion, over-capitalization and loss of earning power.

Many of these companies in default have reorganized. However, the most important single reorganization (Canada Power and Paper) is faced with another reorganization in 1936 when the moratorium on interest payments is lifted. A great many other large receiverships are pending today, indicating that in spite of the fact that the number of defaults have greatly declined, the problem of sound reorganization of Canadian corporations is yet to be solved. The conclusion appears inescapable that this task remains as a major obstacle to a genuine recovery of investment interest in corporate issues.

Another question which comes to mind has to do with the pos-

sible effect of company legislation which has been passed in recent years to correct certain evils in the flotation and distribution of securities. Much emphasis has been placed on this problem in the United States where it is held that the Federal Securities Act and the Security Exchange Act have served to discourage healthy recovery in new corporate financing. Canada has not escaped demands for a "new deal" for the investor and such demands resulted in the selection recently of a Parliamentary Commission to conduct an investigation into banking and financial operations.

When the Price Spreads Committee released its report early this year, it contained a list of recommendations calling for a tightening of restrictions in investment banking and for the placing of greater responsibility upon company officials. As a result, certain amendments to the Dominion Companies Act were passed during the closing days of the last session of Parliament. These changes, in addition to several made in the Act in 1934, modernized the Dominion Companies Act along the lines of the English Companies Act. A very important difference, however, exists between Canada and Great

Britain or United States. The Dominion Government has not yet overcome the restrictions of the B. N. A. Act which do not permit the enforcement of uniformity of legislation throughout the provinces.

Some see in the continual need for extensive government financing a potential threat to the recovery of capital flow into private industry. It is held that if the government must continue to raise new capital to finance operating and C. N. R. deficits, it may continue to monopolize the capital market. Now that Canada has a change in government, one which has opposed many of the "new deal" tendencies of the previous government, perhaps an improvement in the government's financial position can be looked for. On the other hand, so long as the railway problem is left unsolved, the main contributor to the national deficit will still be in full operation. The possibilities of nationalization of the country's banking system may have a bearing on the future tendency of interest rates in Canada. It is not possible, though, that central banking machinery will be sufficiently developed to exercise appreciable control in the immediate future.

Another factor of importance is the extent to which capital from abroad can be attracted. Great Britain has already shown a disposition to place added funds in Canada, indicated by the fact that over \$40,000,000 of securities were floated in that market in 1934. A somewhat discouraging development, however, was the reported loss of prestige abroad suffered by Canadian investments arising out of the two instances of threatened drastic action in British Columbia and Ontario. Whether Great Britain will be much interested in corporate issues is uncertain. She has large sums already invested and it is only natural to suppose that interest in Canadian industry and trade will persist. On the other hand, severe losses have been suffered by British holders of Canadian securities and it is quite likely that little capital for private industry will be forthcoming until substantial improvement in the economic outlook of Canada takes place.

In regard to American capital, equally large sums of capital are invested in Canadian industry. It is significant to note, however, that the United States has not absorbed a single capital issue for two years. Furthermore, the

passage of the Federal Securities Act places prospective issuers of securities in a quite different position than that of a few years ago. On the other hand, we hear rumours of late of considerable transfer of wealth to Canada as a move to escape confiscatory taxation. This latter development is difficult to evaluate. The conclusion applies equally well here that it will take real improvement in economic conditions to attract an appreciable amount of capital into investments of private corporations in Canada.

Summary and Conclusions

In many respects, financing during the depression has been similar to that done in the United States. The capital market has been pretty well monopolized by new government issues, but the market was able to absorb the issues offered at progressively attractive terms. The Canadian banking system has proved the major support in this market, although there has not been the same degree of dictation of policy by government authority as in the United States. There has been a considerable drying up of the inflow of capital from abroad, with a

notable shift of support from the United States to Great Britain. Restrictive legislation in respect to the issue of securities has been passed in Canada, but it is evident that such action may prove less ominous than has been the case in the United States.

But what of the immediate outlook for a restoration of capital flow into private industry? There is little in the above to indicate that the way is being prepared for such a restoration. In fact, so long as extensive government financing must be continued and the task of clearing up the wreckage caused by failures among corporate enterprises is yet incomplete, one may conclude that recovery will be slow. On the other hand, the recovery of corporate security prices and the successful flotation of several important corporate issues during the current year indicated real progress towards a restoration of public interest in corporate securities. It might be argued that this beginning is very significant, inasmuch as there must be a period of testing of the market before corporations can make definite plans to proceed with financial expansion.

Though the signs may appear encouraging, one should be warned against too optimistic a forecast in respect to a return to normal conditions in the capital market. It should be pointed out that there is little evidence that the bulk of the corporations which are in need of new capital are yet in a position to command the confidence of the investors, or that the investors are capable of absorbing the volume of issues which probably will be forthcoming. The depression has been a severe one and a great many companies have suffered drastic impairment of capital. The task of sifting out those concerns which deserve financial

support has yet to be accomplished and will not prove an easy task. Yet a sound and thorough recovery can result only from a much more careful selection of companies worthy of support than was made in the boom days.

Thus it may be concluded that although hopeful signs of a recovery of capital flow into private industry are apparent today, such recovery must of necessity come slowly. Yet it is highly significant to note that when capital commences to flow through the normal channels again, then, and only then, can it be said that genuine recovery has begun.

THROUGH THE WINDOWS OF THE WORLD

ARTHUR G. DORLAND

The Crisis in Africa and the League of Nations

AT this time of writing, Europe appears to be drifting toward what many are pleased to call another inevitable war. But the term "inevitable" is frequently used in a feeble attempt to cover up inertia and folly. Events are "inevitable" only in the sense that recourse was not had to remedies which, if applied in time, would have altered the entire course of events. Thus, for the past decade or more there have appeared serious weaknesses in the peace system which the idealism released by the Great War sought to establish in the League of Nations. Instead of addressing ourselves to the main task of strengthening, or, if necessary, rebuilding this peace structure, we have allowed our energies to be diverted by other issues, with the result that the League has been gradually weakened in both

its moral authority and its structural organization.

The defiance of the League of Nations by Italy in the present Italo-Ethiopian crisis may mark another stage in the disintegration of the League of Nations, or, on the other hand, it may mark a new stage in its development and usefulness. A great deal will depend upon the wisdom with which the present crisis is met, and upon the spirit, generous or otherwise, that animates those who direct its policies. Though the League of Nations has very properly named Italy the aggressor in its present dispute with Abyssinia, there has been an obvious reluctance to press sanctions against her, not because of any sentiment of generosity, but because of the feeling that French and British colonies in Africa are already so large that these countries have no right to say that Italy shall not have certain rights over Abyssinia. The uncomfortable fact remains, there-

fore, that because of the refusal of these two greatest colonial powers to make any real sacrifices themselves to meet Italy's needs or her historic claims, Abyssinia may be sacrificed to Italy and to the basically imperialistic rivalries of the three European powers immediately concerned.

No attempt will be made here to discuss at length the Italo-Ethiopian dispute, but two important factors should be kept in mind: first, that the present trouble is largely a legacy of the imperialistic rivalries of the 19th and early 20th centuries; and second, that it is closely connected not only with the system of rival alliances which helped to precipitate a world war in 1914, but also with those imperialistic ambitions which so largely stultified the fine idealism expressed in the League of Nations and especially in the original conception of the mandate system as "a sacred trust of civilization". The unfortunate result has been that the League of Nations has laid itself open to the charge of being an organization to protect the interests of certain powerful nations, rather than an instrument of international justice and peace.

Regarding these two points, suffice it to say that during the general scramble for African territory during the latter part of the 19th century, Italy and Germany came off rather badly in comparison with other European powers and ever since that time Italy has regarded the possession of Abyssinia as essential to her colonial development. Resentment against France for seizing in 1881 Tunisia, which was largely settled by Italians and to which Italy thought she had certain historic and economic claims, caused Italy in 1882 to join Germany and Austria in the Triple Alliance. After the outbreak of the Great War, Italy finally decided to desert her former friends and to support the Allied cause, since only by gaining the good will of France and England, the two dominant African powers, could she expect to advance her colonial ambitions. But again Italy was bitterly disappointed. Her lack of military success during the war did not, in the opinion of the Allies, warrant the fulfillment of the promises of territorial compensation in Africa, made to secure her assistance. Consequently, in the allotment of the possessions of the defeat-

ed Germanic and Turkish empires made by the Treaty of Versailles, Italy did not receive any additional territory in Africa, not even a mandate. In protest the Italian delegates left the Peace Conference; and ever since that time Italy has regarded the League of Nations as an "international burglars' trust", or at any rate as an organization controlled by the two greatest imperialistic nations in the world to protect the special interests of the "haves" against the "have-nots". Hence the anger that has been felt in Italy, especially against Great Britain, for opposing, through the League, her present Abyssinian adventure, in which the methods used are precisely those employed years ago by other European nations in acquiring their African possessions.

War Offers No Real Solution

The consensus of opinion inclines to the view that Mussolini has put Italy hopelessly in the wrong by his belligerent policy, even though, as we have tried to suggest, Italy has much to justify her feeling of frustration and resentment against the League. The feeling is generally

held, that though nations like France and Great Britain did in the past acquire their colonies by the same methods that Italy is employing today, this year of grace nineteen hundred and thirty-five calls for a different attitude and policy. This argument, however, cuts both ways. For if Italy's present methods are out of harmony with the new ideals of international co-operation and justice, nevertheless, our method of dealing with her must not do violence to those new ideals. For in attempting to gain justice for Abyssinia we must not fail to recognize the injustices complained of by nations situated like Italy, Germany and Japan, — injustices which have made defiance of the League appear to these countries to be the only way of remedying these conditions. While, therefore, the League of Nations, in declaring Italy to be the aggressor, has done the only right and proper thing under the circumstances, the fundamental issue raised is far more important than whether sanctions can or cannot be successfully applied against Italy. We venture to suggest that the enforcement of sanctions against Italy, and even her ultimate defeat

and punishment, offer no real solution to those deep, underlying causes of the present trouble, which more than anything else have weakened the moral authority of the League and are sapping its very foundations. These fundamental causes, we believe, have to do with the economic injustices and inequalities which the League has perpetuated rather than mitigated, resulting in the growing conviction in certain quarters that only by force will the balance be restored in favour of the "have-nots".

Economic Nationalism, the Crux of the Problem

The crux of the problem would appear to be that while most of the organized peace effort of the last decade has been directed, without success, toward the reduction of armaments, it has never seriously tackled the underlying causes of this belligerency, the economic inequalities and the consequent bitter competition among the nations of the world in their attempts to attain economic self-sufficiency. For while nations that have entered the League of Nations have renounced war as an in-

strument of national policy, by the terms of the Kellogg-Briand Pact, they have not renounced economic nationalistic policies as an instrument of war. For whether it be a corporation or a nation, whoever denies the means of life to man, makes war upon him. While peace was made in 1918-19, nevertheless, on the economic front the war still goes on, with the building of ever higher tariff walls, with the tightening of economic barriers and with occasional attempts by the more desperate nations to seize by force what they have failed to obtain by ordinary competitive methods. For as Mr. Frank H. Simonds has pointed out: no country or people will voluntarily lower their standards of living simply to oblige selfish or satiated countries like France or Great Britain, or backward neighbours like China or Abyssinia. Neither can any nation or people be made more afraid of the sufferings and privations of war than of the miseries of material privations in so-called times of peace. Thus nations like Italy, Germany and Japan, while not necessarily desiring war, may be willing to take the risks of war, since for them the priva-

tions of war are no more to be dreaded than peace time conditions, which a successful war may improve. These considerations suggest therefore, that if any real improvement of world conditions is to be attained, it will be done by tackling this problem of economic nationalism and by opening up for countries in the position of Italy, Germany and Japan some way of satisfying their acknowledged economic needs that is less dangerous and more legitimate than simply to take by force what they require.

The real issue raised by the present crisis in Africa is just this: can the nations adjust the old imperialism and economic nationalism of the 19th and early 20th centuries to the needs of a new age of international economic co-operation by means of a recognized League? There have been indications that British statesmen are aware of the necessity of facing this problem. In opening the World Economic Conference of 1933, King George V appealed to the assembled statesmen for their co-operation in bringing the world out of its economic confusion. "It cannot," he said, "be beyond the power of man so to use the

vast resources of the world as to ensure the material progress of civilization. No diminution in those resources has taken place. On the contrary, discovery, invention and organization have multiplied their possibilities to such an extent that abundance of production has itself created new problems. And together with this amazing material progress there has come a new recognition of the interdependence of nations and of the value of collaboration between them. Now is the opportunity to harness this new consciousness of common interests to the service of mankind." Sir Samuel Hoare in his recent speeches on the present African crisis has likewise indicated that Great Britain is willing to co-operate with other nations in making the economic resources of the world available to all nations on more equal terms. When it is remembered that Great Britain and France between them control something like 19 million of the 36 million square miles of useful land area of the world, while Italy and Germany, with 108 million people, have to live and work on only 300,000 square miles, something of the urgency of the problem can be realized.

Therefore, countries like France, Great Britain and the members of the British Commonwealth, by reason of their combined wealth and strategic importance must take the lead in showing their willingness to surrender something of their special privileges to secure a greater measure of economic justice, freedom and peace.

The Replacement of National Control of African Mandates by International Control

Now, since the present crisis has come to a head in Africa, this might well be made the point of attacking the problem of inequitable distribution of economic resources which was greatly aggravated by the Treaty of Versailles, as it gave some mandates to France and Great Britain and none to Italy, and which was unfortunately preserved by the League of Nations. The suggestion has been made that Great Britain turn over to Italy or back to Germany portions of her former colonial possessions which comprise the "B" mandates. But we believe that no national control of these territories would meet the present situation. We sug-

gest, therefore, the substitution for the present national control of the mandated areas in Africa by two countries, of an international administration under the League of Nations by all those countries at present having African interests, i.e., Great Britain, France, Italy, Germany, Portugal, Belgium and Spain. Thus, instead of the present ineffectual control by the League Council at Geneva, there would be set up by the League of Nations on African soil a unified system of control of the technical, economic and social services throughout tropical Africa, with a pooling of those economic advantages which may be realized by any of these participating countries in legitimate commercial enterprise.

This plan would have the further advantage of meeting the demand for a unified treatment of common African problems. For the white races face a common problem in Africa that the conquest of Abyssinia by Italy may raise in an acute form, i.e., the possibility of a war by the blacks to end their continued domination and exploitation by the white races. The representative of the Union of South Africa to the League of Nations

has sounded a grave note of warning that such a danger exists, and its repercussion has already been felt among the coloured people on the North American continent. Another advantage to be derived from some plan of international control would be the possibility of giving the people of Africa an increasing share in the management of their own affairs, possibly along lines already worked out by Great Britain in India under what is known as "dyarchy". For it is perfectly certain that the natives of the great continent of Africa will not forever be content to remain economically and politically inferior to the white races who now control them. In this connection it has been suggested that Holland should be allowed to share in such a plan, because of her long, and on the whole, very successful experience in dealing with coloured peoples in the East Indies.

Such a plan of international control of Africa presents many difficulties, but the League of Nations has already achieved a notable success by its administration of the Saar Valley for fifteen years before it was restored to Germany. The fact

that this was accomplished under conditions bristling with national and economic difficulties, all of which were eventually settled without recourse to violence, does much to justify the belief that the League of Nations could achieve even greater success in Africa. This policy would not only benefit Africa, but would do much to relieve present tensions in Europe.

If the League exists simply to maintain the *status quo* and to preserve peace by organizing war against all who dare to challenge its right to do so, then its usefulness will soon be gone. If, however, a reorganized League addresses itself to the task of finding some way by which the vast stores of natural resources and tremendous unsatisfied markets of the world can be regulated for the service of mankind, it will help to create a world association in which the first peoples to recognize its justice and moral authority will be those who now feel themselves most injured. This requires first of all a willingness on the part of the most favoured nations to pay the price of peace by admitting other nations to share more equitably the privileges and opportunities which they at

present largely control for themselves. It means the creation of freer economic exchanges throughout the world with every effort toward international agreements to reduce tariff barriers, to obtain co-operation from central banks, to open up and control internationally the areas that produce the great

basic commodities of industry, to work out joint arrangements in order to prevent the glutting of the markets of the world with primary products, such as petroleum, rubber, copper, cocoa, palm-oil, sugar, minerals, wheat and timber. We need, in short, some plan of international rationalization.

TENDENCIES TOWARD A MORE RATIONAL APPROACH TO MARKETING

WALTER A. THOMPSON

THE operation of a business enterprise today revolves around two functions: (1) the making of goods and (2) the performance of those operations needed to get the goods to the consumer—marketing. All other phases of business activity such as accounting, financial operation and statistical work are really supplementary or facilitating functions. I wish to make no attempt to minimize the significance of these. The initial point to be realized is that producing and marketing are the two pillars of business activity. This paper will attempt to clarify some of the attempts being made at the present time to place marketing on a more economical basis.

The Development of the Marketing Function

At one time, we are led to

believe, man sustained himself without outside help. His clothing, food, shelter and amusement were the result of his own individual effort. At this time all were engaged in production, and marketing as a problem was non-existent. All this seems to be so far removed from our present sphere that contemplation along this line can certainly be labelled "academic". It gives, however, a point of view which is needed for the appreciation of what is to be discussed later. The problems of production held the entire stage at that time. Just as soon as one individual started to make more than he could consume or store for his own later use, the problem of marketing began to appear on the scene. With every step in the continued rise of efficiency of man as a producer of goods, the problem of marketing became more difficult.

Public Approval of Production Men

It takes no technocrat to tell us that recent developments in the production of goods are nothing short of marvelous. We simply take it for granted. The statistically minded individual quite frequently prepares convincing and accurate tables on this subject. Man's early fear of society's inability to produce sufficient goods, which incidentally was predominant in the minds of many of the early thinkers on the subject of economics, has led society to glorify the man who can evolve a process of more abundant production. Every once in a while we remind ourselves of the work of these individuals and the public views such a wonderful exhibit as Chicago's Century of Progress. The theme of this spectacle was the wonder of our progress in making economic goods. I do not intend to detract from this placing of the producing man on a pedestal, but it should be pointed out that every step of progress in physical production has been accompanied by an increase in the job to be done by marketing men. The following table will give the

reader some idea of this huge problem.

Percentage of Cost in Production and Marketing

	Material Production	Commercial Effort Selling and Administrative
1850	80.2%	19.8%
1860	75.1	24.9
1870	72.	28.
1880	67.2	32.8
1890	63.3	36.7
1900	59.9	40.1
1910	53.5	46.5
1920	49.6	50.4

These figures are quoted from a reliable source. Much of the more recent reduction in costs of production is the result of the efforts of several men, notably Dr. F. W. Taylor, who have been in productive work since the 1870's. Their work has been widely discussed under the caption "scientific management".

Marketing Importance is Now Realized

A study of this table shows that today, marketing is the chief problem for students of business. We have been so worried over the difficulties of making goods that we have allowed many inefficiencies to creep into marketing machinery.

There is little doubt in the mind of the ordinary business man that his factory is run with greater efficiency than his marketing department. This greater efficiency, often realized by mass production methods, has been acquired by putting extra effort, which has often been wasteful, into selling the output. The net result to consumer, however, has been a lower priced article. This means that efficient production plus inefficient distribution or marketing is still cheaper than wasteful production plus the older way of marketing.

There are other explanations of the rising cost of marketing. Consumers demand more in the way of extra services today, guarantees are broader, delivery must be quicker and so on. These add to total costs. In addition, better brains have been attracted to the production of goods. Perhaps a further factor in this rising relative cost of selling is the very nature of our marketing organization. About the only part of it that is mechanized is advertising. Taken as a whole, it is still essentially in the stage of hard labor. Under these conditions an increase in size of operation causes the business man to meet declin-

ing returns quickly. Since marketing machinery is made up mostly of human beings, change comes more slowly. New ideas can be quickly adopted when one is working with machines. It is necessary, on the other hand, to progress very slowly when imposing change on an organization made up completely of individuals. It is reasonable for us to expect, for these reasons, slow changes in the manner in which goods are marketed.

The most encouraging factor in the present dilemma of high and rising marketing costs is that we fully realize the situation. The business man is certainly the last one to defend the *status quo* in this particular phase of business. Any one closely allied to the operation of business can easily recall examples of wasteful selling. An exhibit of one of these acts, the case of a certain Canadian bread company, can be cited. In a single evening this firm rushed through plans that resulted in the expenditure of \$100,000 in advertising. Little knowledge was at hand regarding buying motives of the consumer, product dislikes, product loyalty and so on. A similar procedure in the purchase of plant ma-

chinery would have been unthinkable. By accurate tests it has been found that a certain advertisement will have one-fiftieth the value of a similar advertisement as a selling force. By proper planning it has been demonstrated that effective advertisements can often be spotted before much money has been spent. All this is gradually sinking home to many business executives and the realization will greatly influence future marketing procedure.

Organizations Interested in Marketing Efficiency

In the past few years quite a number of groups have done much to reduce marketing expense. To speed discussion on this point a few of the more important bodies are listed:

- Government Departments
- Co-operative Organizations of interested groups
(Association of Canadian Advertisers, etc.)
- Advertising Agencies
- Industrial Concerns
- Private Research Concerns
- Magazine, Newspaper and Radio Research Departments
- Universities.

The commerce departments of governments give us much factual information which can be used in solving marketing problems. The census of retail distribution, indexes of sales, income tax data and the numerous groups of purchasing power data are all of very material assistance. In personal contacts with Mr. Coates, Mr. Smith, and members of the Staff of the Dominion Bureau of Statistics, one is impressed with the willingness on the part of these people to help the business men. Perhaps we might learn a great deal by a study of the very minute manner in which the work of Mr. Wilfred White and his group at Washington carry through their work. The government is an excellent source of data for those in search of pertinent information.

The Association of Canadian Advertisers have, with their excellent analysis of the Audit Bureau of Circulation Data, thrown much light on the efficient use of Canadian publications for advertising purposes. One must go to the United States to find some of the better examples of research technique. There, at the present time, such organizations as the Association

of National Advertisers, the American Association of Advertising Agencies, and the Broadcasting Companies are spending several hundreds of thousands of dollars annually in research on marketing technique. Thus it is evident that the consciousness of the problem plus the activities of numerous interested parties will lead to changes for the better in marketing costs.

Information from the Consumer as a Means of More Rational Marketing

In addition to the benefits obtained by the appreciation of the problem in marketing and the active work of many interested parties on this problem, we find that market research technique is developing. The success gained in collecting information by the so-called sampling method is a good example of this. It is now possible to tap the consumer mind with little expense. The knowledge obtained in this manner can be used to avoid much waste motion.

In an earlier period the successful proprietor was able to talk with his customer to get ideas regarding what he should and should not do in running his

business. Many of the larger firms today have neglected this all-important factor which may have been the foundation of an earlier success. The result has been "arm chair management". This tendency to coast and neglect keeping up-to-date has resulted only too often in failure. Much trouble can be avoided now if a business man knows a few of the following things about the people who furnish the life-blood for his business: who the buyer is (age, sex, wealth classification); where he lives; when is the good purchased; at what store is it purchased; the factors that cause the buyer to dislike or like his goods. All this information and more can be obtained by personal contact with a few well-selected customers.

Professor Richard A. Barnett and myself recently investigated the habits of buyers in a large Canadian market. In making this analysis it was perfectly evident that calls upon but 2 per cent of these homes were sufficient to obtain reliable information. To give the reader proof of this statement, an extract from the report to the sponsor is sufficient:

"There is perhaps no more

common fallacy concerning market analysis than the belief that a large sample is necessary for positive conclusions. In the writer's experience such is not the case providing care is taken in scattering the selection well and providing a truly representative cross-section of a city (or whatever area is under examination) is secured. In this survey the city was broken down into zones, and the interviewers were given definite instructions as to where they were to work and how many interviews they were to get. By this means and through check-ups on interviewers by re-interviewers a representative group of questionnaires was secured.

"One of the best tests of the representative nature of any sample is the extent to which it exhibits consistency of performance when it is broken up into parts.

"Data for newspaper coverage in the better residential area is presented as follows:

Paper A	—46%	of district
Paper B	—19½%	of district
Paper C	—77%	of district
Paper D	—43%	of district

"After dividing the sample by a random method into two equal parts and tabulating the returns in one-half, we got the following result:

	First Half	Variation from Whole Area
Paper A	46%	0%
Paper B	19½%	0%
Paper C	81%	4%
Paper D	41%	2%

The efficiency of the sampling method in getting pertinent information is obvious. Even when a 1% sample is taken, variation from the original is negligible."

The point of my paper seems to be this: Marketing costs are admittedly high, but there is much in the present situation that leads one to believe these expenses will be reduced to the benefit of the consumer. The Canadian marketing problem is complicated by the physical size of the country and the small population. It is to be hoped that interested parties will soon get together and form a vigorous group to cut costs and stimulate changes in marketing technique.

SOME FEATURES OF DISTRIBUTION COSTS

JOHN E. BOYLE

A GREAT deal has been said during the last few years about the high costs of distribution. These costs have been given varying degrees of importance in lengthy discussions on "Now our problem is one of distribution". It has been pointed out that manufacturing costs have been greatly reduced, and that a shift of emphasis from production to distribution would result in an appreciable reduction in marketing costs.

Despite all the attention that has been drawn to the subject of distribution costs and all the generalizations that have been made, nobody knew what the actual costs, on a comparative basis, were. It is only lately that statistical data on distribution costs in Canadian companies have been gathered together by the Bureau of Business Research at the University of Western Ontario. A short resumé of the results is included here and the material shows that these costs, in terms of net sales value, are

high enough to justify all the publicity that they have been given. Because of the absence of standard distribution costs, it is impossible in this study to discuss how much out of line, if at all, these costs are with what they should be. That phase of the study will open up only after more detailed data on actual costs have been obtained.

Marketing Functions and Costs

A number of texts on marketing go to some length to explain the numerous functions that take place in moving a product from the producer to the ultimate consumer.

An approach to the determination of distribution costs does not need to be concerned so much with the creation of utilities which tend to effect changes in the value of goods as they move along in the distribution system. The main thing is to see that the ideal lay-out would be the recording of distribution

costs in line with marketing functions. Alterations to determined costs can then be made profitably by keeping in mind that the greatest amount of utility should be added at the lowest cost.

If a single company is being studied, it is possible to provide finer classifications to break down distribution expense into functional divisions than if a number of companies are being studied on a comparative basis. As our study fell into the latter category, it was necessary to group the statistical data, according to the cost classifications that could be itemized comparatively from the cost records of a number of companies, under departmental headings. For purposes of illustration, each departmental heading is considered as a major function in the distributive process.

Comparison of Actual Costs

The various costs have been added together so that the results may be condensed here under each of the following headings:

1. Sales Department Cost.
2. Publicity and Sales Promotion Cost.
3. Transportation Cost.
4. Warehousing Cost.
5. Credit and Collection Department Cost.
6. Administrative Charges to Sales Costs not included in 1.

The results are given in terms of percentage of net sales for the latest year for which figures are available, and they are therefore on a strictly comparative basis.

The total cost of distribution in relation to net sales was found to be about the same for producer goods and consumer goods. This study dealt only with the distribution cost that the manufacturer encountered in disposing of his goods, whether it was to the wholesaler, retailer or ultimate consumer. The average distribution cost of all the companies studied was about one-third of the net sales value. This figure by no means represents the proportion that all distribution costs represent in the price to the ultimate consumer, because in nearly all cases goods pass through wholesalers and retailers, and this means another item in the total marketing cost.

The Sales Department costs comprised about one-half of the distribution costs of the manufacturers studied. They varied

from 27% of net sales cost for a food product to 75% for a popular household appliance. These direct selling costs are high and indicate that the most profitable use should be made of such items as salesmen's time and administrative time that is charged to sales cost.

Publicity and Sales Promotion costs are lower for producer goods than for consumer goods, ranging from 3.2% of net sales for small machinery to 38.2% for a food product. This is because there is more intensive distribution of consumer products, more frequent purchase and because freshness must be protected.

Transportation costs are much lower for producer goods than for consumer goods. A number of companies marketing producer goods report that transportation is a negligible factor in their total distribution cost. For an electric tool company transportation costs only amount to 1.36% of net sales. This cost is important for consumer goods as it amounts to 10.0% of net sales for a brush company and 25.8% of net sales for a company in the confectionery business. This is no doubt because the market for producer goods

is concentrated and well defined. It is also because of the low freight rates which are obtainable on most producer goods. Consumer goods must be transported over a much more extensive area.

Warehousing costs are also higher for consumer goods than for producer goods. For electric tools they are considered negligible but amount to 5.3% of net sales for paint and varnish and 12.4% for a food product. These results indicate that there is less holding of stocks of producer goods and that there is a possibility of more direct distribution and relatively better turnover.

Credit and Collection costs were found to range from 2.15% of net sales for a company marketing domestic paper products to 28.2% for building products and 43.5% for small machinery. On the whole these costs were much greater for producer goods, probably because of the severe effect that the depression has had upon the purchasers of these products. This cost was actually quite small in the majority of companies marketing consumer goods.

Quite a variation exists in the relative amount of Adminis-

tration costs that are charged to sales and not included as a direct selling cost. Some companies did not include this item at all, apparently having all this type of cost allocated under Sales Department cost. For those who did, this cost amounted to 11.7% of net sales for household appliances, 18.2% for building products and 49.8% for mechanical instruments. This last mentioned item is high because Sales Department costs and Administration costs charged to sales, form practically the total distribution cost in this particular company.

Although these results have been greatly condensed here, they give some idea of the actual magnitude of distribution costs in a variety of Canadian companies. In spite of the great belief that additional volume is the answer to practically every problem of business, there are few concerns, which, if they knew their true distribution cost, would not increase their profits by the elimination of certain goods and sales. It is fully as important to know what not to sell as it is to create an ability to sell. The purpose of the control of distribution expense is to enable management to develop

sales at an economic cost and with an adequate profit return. Sales control must always present an up-to-date picture on which current sales management policy may be based. The adequate control of distribution is one of the most productive steps which any organization can undertake in order to increase its profitability, particularly under current conditions. For the reduction of production costs, large capital outlay is nearly always necessary. This is not the case in reducing distribution costs, and offers the possibility of a much better competitive position to companies with restricted finances.

The Case for Price Stabilization

Better knowledge of distribution costs not only provides material for better organization and control in sales management, but also gives us data which has a direct bearing on pricing and price-stabilization. Because manufacturing costs are fairly well known, it undoubtedly follows that any unsound pricing policy has been due to a lack of knowledge of distribution costs. Price is too often used to gain competitive

advantage without respect for all of the factors involved. A search for the cause of such keen competition in industry today was made part of a study of sixty-five Canadian companies by the Bureau of Business Research at the University of Western Ontario. Forty-one companies claimed that competition is due to a lack of knowledge of distribution costs as they relate to individual products. How can there be intelligent pricing with such evidence of lack of pertinent information? It is the manufacturer who, in the last analysis, must choose between all opposing groups when he decides on a definite pricing policy. This issue is very important to the manufacturer today, and the attitude he adopts will have a very definite and decisive effect upon the profitable sales volume of his products. He must advocate intelligent price-stabilization, as opposed to price-cutting, in order to preserve the good-

will built up through years of advertising and strict adherence to certain acknowledged standards.

There is need for a tangible basis for determining the extent to which certain tasks are necessary. We must clarify our ideas as to what is really involved in the work of distributing merchandise under modern conditions. As the characteristics of the necessary functions of merchandise distribution are more clearly appreciated, the probabilities are that it will be more clearly understood that, in this part of the distributing task, the chief problem is not the preservation of old forms, but rather the economical adjustment of the mechanism to the work in hand. Much progress toward the attainment of really effective distribution of merchandise will follow the ascertainment of the real facts regarding costs of operation of typical functionaries.

ADULT EDUCATION AND THE UNIVERSITY

S. FLOYD MAINE

IF growth and adaptation are an evidence of life, the universities of today manifest no signs of decrepitude. There have been several periods in the long history of British universities (Oxford dating from the 12th century and Cambridge from the 13th) when the quiet course of higher education has been altered radically by adaptations to meet the need of a changing world. In the days of the Renaissance the universities kept abreast of the times by introducing the newly rediscovered classics and making them the basis of an education. During the 19th century there came a new challenge; first, to meet the needs of the new industrialized middle class; second, to abolish the old religious restrictions restraining all but a privileged group; and, third, to recognise the place and importance of the physical and natural sciences. Gradually the new demands were met by altering the old institutions and also by

founding new ones which were free from hampering traditions. Such evolutionary movements are inevitably slow. Mental habits and attitudes alter only very gradually. It is estimated that the "time-lag" between the promulgation of a basic idea and its adoption is almost a generation. Slowly, but with increasing momentum, however, readjustments appeared in the organization and curricula of the universities. Today, the pioneers in the sciences in the Canadian colleges are still remembered, the first women graduates are still with us, but changes did come and have not yet ceased. As a static society reveals itself in static institutions, so a changing society manifests itself in changing institutions, and the tempo of today is revealed, among other ways, in the questioning of, and the alterations in, the universities.

One of the most obvious adjustments being made to a

new set of conditions is the emphasis upon adult education which has crystallized in the work of the Extension Departments of the modern universities. Basic changes under way in society give added significance to this work. One change, arising in part from the mechanization of industry, is the added leisure time available, giving not only time but implying added energy previously absorbed by laborious tasks. A second factor is the change in the average age of the population, for in various ways we have become an older people than we were a few generations ago. A falling birth-rate and an increasing life span mean a much greater percentage of adults in our population than was formerly the case. In 1921 the birth-rate in Ontario was 25 per thousand. In 1931 it had dropped to 20.2 per thousand. This tendency continuing over two generations has caused a reversal in the proportion of certain age groups to the total population. In 1871, children of the age period one to four years numbered approximately 115 per thousand of population. In 1931, they numbered only 84 per thousand, whereas people aged forty to forty-nine in 1931 numbered approximately 119

per thousand as compared with only 80, sixty years before.

Numerous social and economic problems are indicated by these figures and should not be disregarded by industry. It has been suggested that fewer perambulators and more motor cars and golf balls are required, but the implications go still deeper. Adult education is an increasingly important task as there are more adults to educate. Furthermore, there is more time for such activity due to the adjustments and changes which have taken place, and not the least important is the need for such education growing out of the increasingly complicated nature of modern political and social organization and the dissatisfaction arising from the evident shortcomings of the present set-up.

In the face of this need numerous agencies have developed. The Dominion and Provincial Governments, universities, technical schools, libraries, art galleries and museums, religious institutions, fraternal societies, service clubs, etc., etc., have all made certain contributions to an expanding field of service. Industry, too, has become alert to the importance of adult education, and railways, banks and

corporations of various types, actually organize or lend sympathetic help to their employees in lines of education that are more than merely technical. During the current year a move has been made to co-ordinate the various types of agencies for adult education in Canada in the formation of the Canadian Association for Adult Education.

Particularly active in this new field of endeavour have been the universities. The ancient and comic view of the university scholar as a fossilized and non-social individual, thoroughly out of touch with life, is so distorted as to be quite inaccurate. There has been on the whole a fine bond of sympathy between the public and the universities on this continent, which speaks well for the discrimination and insight of each. On the one hand, the public has given generously of its resources to the universities and the latter have responded with both courses and leadership in public and social problems. The research and the teaching in the field of the social sciences have contributed to a better understanding of an increasingly complex situation and the products of university research have made invaluable contributions in such fields as

business and medicine. It was inevitable that the universities should enter the field of adult education and justly so, for such work is educationally sound. Old dogs can learn new tricks. At Teachers College, Columbia University, it was discovered that although the peak of ability of adults to learn was reached at about twenty-three years of age, the decrease in that ability from that age on was very gradual, the decline being so slow that persons under fifty should seldom be deterred from trying to learn anything which they really need to learn, by the fear that they are too old. Even after fifty the learning process is merely retarded.

The Extension Department of the University of Western Ontario was organized in 1921 and since that time the work has spread, so that regular courses leading to degrees have now been established in thirteen centres throughout the fourteen western counties of the province, and scarcely a place of any size has not been visited from time to time by University staff members. In a unique way, the south-west counties of Ontario have become the campus of this University. The subjects offered have usually been in the fields

of English, History, Public Speaking, Psychology, Business Administration and Economics, because of their appeal to a wide group and because little material equipment is needed for such lectures. The courses offered are the same as those given intramurally and are presided over by regular staff members drawn from the University and the affiliated colleges. As these classes are open to those seeking degrees as well as to those who have desired to take such courses without the obligations of examinations and assigned work, the quality of the course is guaranteed and the University and the students are assured that there will not be too numerous digressions, but that a recognized piece of work will be done. The fees for the non-credit students are adjusted to a modest rate. In some of the larger cities a choice of four or five courses is offered and a total of thirty-one such classes is maintained by the Extension Department during the current year in thirteen different centres. There are in attendance more students seeking degrees than there were regularly enrolled in University College thirteen years ago.

In addition to the above-

mentioned courses of regular intramural calibre, more popular courses are arranged at the request of various groups throughout the University constituency. Societies, churches, clubs and voluntary groups of citizens in various towns and cities of Western Ontario have shown commendable zeal in arranging lecture series. With the importance of the present day political and economic conditions in Europe "Current Events" have proven popular and valuable when discussed by such students of foreign affairs as are to be found on the staffs of modern universities. History, English, Economics and the various branches of Psychology have all, however, their popular appeal. One group of citizens in a town of not more than 1,500 has for more than a decade been meeting regularly each winter, utilizing the services of the speakers of the Extension Department. Other towns have more recently organized similar groups and report vigorous interest.

Popular lectures are also offered over the radio. Annually a broadcast under the title "The University of the Air" is presented through the co-operation of station CFPL. Each evening

during a period of from three to four weeks, various topics of general interest are discussed. The characteristic reticence of the Canadian public makes it difficult to evaluate the popularity of such a service. The Canadian Radio Commission, however, has utilized the services of various staff members for similar talks. The Commission also has co-operated with the Extension Department and the Debating Society in sponsoring inter-university debates, which have engendered keen interest among the students, particularly as Western debaters have performed creditably. In addition to the series of lectures indicated above, the Extension Department prints lists of individual topics which are frequently requested for clubs, educational gatherings and single meetings under various auspices. Several professors have been requested to tour under the auspices of various national organizations.

Another major departmental activity is in connection with the Workers' Education Association which, in some areas in particular, is developing as an important factor in adult education. Of recent years this movement, with the aid of the

Carnegie Foundation and the various universities of the Province, has attained a province-wide recognition. During the present season approximately two thousand workers in the majority of centres in Old Ontario have registered in such courses as Economics, History, Public Speaking, Current Events, Psychology. This is a movement of the workers fostered by them to meet their particular educational needs in a way suitable to their interests. It is to the universities that the Workers' Education Association has turned for its tutors and the results have been highly satisfactory. The classes have been effectively led and instructed and the accompanying discussions have been of value to both the instructors and class members. During the present term the University of Western Ontario is supplying tutors in Windsor, Woodstock, Stratford, London and Brantford.

The further activities of the Extension Department may be classed as miscellaneous. It is departmental policy to meet, as far as possible, every legitimate appeal or need that comes within the scope of university activities.

As a result, short courses

have been given in a multitude of fields. A course in mining geology was organized for a group of interested brokers, a course in Physics for an organization of short-wave radio enthusiasts, in retail problems for a retail merchants' association, in parent education for home and school clubs and interested individuals and courses in the novel, the drama, etc., for groups with more cultural tendencies. Two unique activities were with groups with widely different interests. Thirty young farmers came to the University and studied economic and social problems lying behind their particular interest as farmers. A series of art lectures was sponsored in one centre and from the interest aroused came a revived art league and a series of exhibitions which, in turn, generated greater enthusiasm and appreciation.

In a totally different field is the work of the Department in connection with the Chartered Institute of Secretaries, a British

Institution operating under royal charter. Difficulty was experienced in Canada in connection with the instructional work and the University undertook this task in its particular area.

A survey of the multitudinous activities of an Extension Department makes it clear that in one sense it has become a sort of "Foreign Office" for the modern university. Through it contacts are made with the public. Educational experiments may be carried on in an endeavour to discover and meet the needs and the "humanizing" of the university is continued through the making of ever wider human contacts. At the same time these contacts are in no way detrimental to the public.

It is estimated that during the current year the staff members of the University of Western Ontario will give nearly seven hundred lectures to organized groups throughout Western Ontario. Truly the University has become the University of the people of Western Ontario.

LEGISLATIVE LABOURS

CECIL C. CARROTHERS

THE time of the year has come when the statutes of the Dominion Parliament and of the various legislative assemblies of this much over-governed country begin to arrive in law offices; and bearing in mind that recent elections have, for some time in the future at least, determined the political nature of our Governments, we may with advantage glance over the statutory enactments which have been promulgated this year.

It is a matter of some regret that the reading of the annual statutes is not more common, for nowhere can a finer mixture of amusement and information be found. Unfortunately, owing to the method used in democracies for the enactment of legislation, very frequently the act as finally passed bears little resemblance to that prepared by the law clerks and the actual result is far from the intention of the legislating body. For example, the following is a legislative gem culled from the

Statutes of the Province of Ontario, 1934, Section 94(2), being "An Act to amend The Public Health Act":

"For the purposes of this section land adjacent to a source of public water supply shall include such surface area of land where from by reason or the levels thereof or the nature and texture of the soils thereof, or rocks underlying the same, any corrupting, polluting or impairing effluent emanating from matter placed, deposited, discharged or remaining in, on or upon such land, would or may flow, percolate or seep into such source of water supply."

We have seen no finer comment on this bit of literary excellence than the following, which we feel you will agree is well worth reprinting. It is from an article in *The Fortnightly Law Journal*.

Did someone say something about collective wisdom? Or is the Legislature poking fun at you and me? As literature that part "where from by reason or the levels thereof"

transcends the beauty of Shakespeare or Milton. For clarity it excels Browning in his most inspired passages and half the modern poets of Toronto's Greenwich Village are murmuring thoughts of suicide in envy. Undoubtedly, too, the occasion was well worthy of the coining of a new word. That "imparing" is positive genius subtly suggesting the present day need for economy without too much stress in so important a matter as public health. But what of the health of our Courts who have to try and explain the legislative intent? Quite right! Thoughts of a privileged class such as Judges and a close corporation like the lawyers must be eschewed when the health of the man in the street is being considered. Above all things any benefit the munificent Legislature condescends upon him must be clothed in such language that he cannot fail to appreciate the extent of the legislative solicitude for his welfare. Bravo! Encore! Keep up the good work! Or are you just spoofing us?

Another bit of legislative wisdom is to be found in one of the amending acts of the Dominion Government passed at the last session, where it was thought necessary by some person in authority to define a year in the following terms: "Such period

of not less than fifty-two or more than fifty-three weeks as may be prescribed by regulation in that behalf."

Turning to the more serious part of this year's legislation, however, we find the Dominion 1935 Statutes contain several acts of vital importance to business. There are also two additional Acts which, if proclaimed, will have a still greater influence on the social and economic welfare of the country.

Among the more important acts in which changes of considerable importance have taken place is The Patent Act. The old act of 1927 has been repealed and a new codification of the acts relating to patents of invention is found in Chapter 32 of this year's Statutes. Space does not permit a summary of the changes made, but those interested in patent law would do well to make a study of the new act. For those interested in the sectional problems of the drought and soil drifting areas in the Provinces of Manitoba, Saskatchewan and Alberta, we have Chapter 23 which ambitiously sets up a Prairie Farm Rehabilitation Advisory Committee to consider and advise the Government as to the best methods to secure the rehabilita-

tion of these areas and to permit within them, systems of farm practice, tree culture and water supply, so that greater economic security may result. There are, as well, several acts relating to natural products, their production and sale, which affect persons interested in the industries concerned.

Those interested in the work of the Price Spreads Commission will find much to interest them in Chapter 54 which is an attempt to strengthen the innocuous Combines Investigation Act. The Government, as a result, has at its disposal all the machinery necessary to prevent the evils which the old act failed to correct.

While the amendments to the Company Act are of considerable length, nothing of any importance has been effected, and those interested in the proposals made before the passing of the act, by which they were led to believe that the act would be much improved, will be disappointed. From the standpoint of the investing public as well as of corporations it is to be hoped that in the not too distant future a complete revision of the Company Act will be made so that it may be brought more in line with acts governing com-

panies elsewhere.

Of those acts which may be termed social legislation, one of the most radical from the standpoint of Dominion legislation is Chapter 44, termed an act to provide for minimum wages pursuant to the Treaty of Versailles. While this act has not as yet come into effect, and it is probable will not, until the proposed conference of the Federal Government with the Provinces takes place, the probability of its early promulgation makes its terms of some interest. Very briefly, the act provides for the fixing of minimum rates of wages in certain trades, with a penalty of \$5,000.00 or less for failure to pay such wages. The act, in common with most of such recent types of legislation, leaves the machinery for carrying out the terms of the act in the hands of the Governor-in-Council on recommendation of the Minister of Labour. From the political angle, it is interesting to note, however, that any board being set up to consider the rates of wages in any trade must consist of employers and workers in equal numbers and on equal terms. A further section provides that, when rates of wages have been fixed, they shall not be subject to abate-

ment by means of individual agreement, nor, except when authorized by the minister, by collective agreement. As to what industries shall be affected, the minister has complete discretion and authority. In addition to the penalties provided by the act, a provision is incorporated whereby a worker who has been paid at less than minimum rates shall be entitled to recover the amount he has been underpaid by a summary method.

We find two further acts of social importance both of which have been promulgated, but which have not yet received the attention of many industries. Chapter 14, entitled "An Act to provide for a weekly day of rest in accordance with the Treaty of Versailles", came into force on the 4th day of July last. The industries affected include mining, quarrying, manufacturing, shipbuilding, electricity or motive power, construction, maintenance, transport of passengers or goods and handling of goods. The act provides that every employee of such industries shall be granted a period of rest comprising at least twenty-four consecutive hours in every period of seven days. Wherever possible

the period of rest shall be granted simultaneously to the whole of the staff of each undertaking and unless impossible, shall be the Lord's Day. The Act does not apply to persons holding positions of supervision or management, nor to persons employed in a confidential capacity. In addition to this, the Governor-in-Council by regulation may make total or partial exceptions from the provisions of the Act in any undertaking, provided that such regulations ensure compensatory periods of rest for the exceptions made. Where the rest period is not the Lord's Day, notice of the days and hours of rest for all employees must be posted in a conspicuous place in the establishment. A fine of not less than \$20.00 nor more than \$100.00 is provided for breaches of the Act.

The other Act referred to is Chapter 63, an Act to provide for limiting the hours of work in industrial undertakings to eight in the day and forty-eight in the week in accordance with the Treaty of Versailles. This Act came into force on the 5th of October last. It applies to the same industrial undertakings to which the weekly rest

act applied and its effect is, as might be gathered from the title, to provide for an eight-hour working day and a forty-eight-hour working week. Here again the Governor-in-Council may distinguish between industry, commerce and agriculture for the purpose of determining the employers and employees to whom the Act applies. Here too the Act does not apply to persons holding positions of supervision or management, nor to confidential employees. In cases where by law, custom or agreement the hours of work on one or more days of the week are less than eight, the limit of eight hours may be exceeded on the remaining days of the week by sanction of the Governor-in-Council, provided that nine hours is the absolute limit for one day and forty-eight hours the absolute limit for one week. When necessary the limit of hours of work may be exceeded in case of accident or urgent work to be done to capital goods or any case of *vis major*. Where processes are required, by reason of their nature, to be carried on continuously by a succession of shifts, the weekly working hours may be increased to fifty-six. Such regulation of hours

shall not affect the workers' rest day. In addition to the exceptions already mentioned, the Governor-in-Council has wide powers to make exceptions in particular industries, and he is also empowered to limit the hours of any particular industry to less than those provided by the Act. A further provision makes necessary the posting in conspicuous places in the establishment the hours at which work begins and ends or the hours at which each shift begins and ends. Returns must be made to the Minister, covering the hours of work in the industry. For breaches of this Act there is a fine, not to exceed \$100.00.

The greatest criticism that can be made of the last three acts referred to is the lack of machinery for their proper enforcement. So long as the enforcement of such social legislation is left to local inspectors and to the pitifully inadequate inspection branches of the Provincial Governments, there can be little hope for a proper enforcement.

Space does not permit more than a passing reference to the most important social legislation enacted this year. Chapter 38, an Act to establish an Employ-

ment and Social Insurance Commission to provide for national employment service, for insurance against unemployment, for aid to unemployed persons and for other forms of social insurance and security, and for purposes related thereto, becomes operative only when gazetted. It

is a lengthy act with some forty-eight sections and several schedules, and is probably the most comprehensive and best drawn of any of the acts of social legislation passed. Persons interested in the economic and social welfare of Canada will find much to interest them in its provisions.

